

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1857-01  
Bill No.: SB 505  
Subject: Workers' Compensation  
Type: Original  
Date: February 26, 2001

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Workers' Compensation Fund	\$0 to (Could Exceed \$1,000,000)	\$0 to (Could Exceed \$1,000,000)	\$0 to (Could Exceed \$1,000,000)
Second Injury Fund	(Could Exceed \$1,000,000)	(Could Exceed \$1,000,000)	(Could Exceed \$1,000,000)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(Unknown, Could Exceed \$2,000,000)</b>	<b>(Unknown, Could Exceed \$2,000,000)</b>	<b>(Unknown, Could Exceed \$2,000,000)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

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**FISCAL ANALYSIS**

ASSUMPTION

Officials from the **Department of Economic Development - Division of Motor Carrier and Railroad Safety** assume the proposed legislation would have no fiscal impact on their agency.

Officials from the **Department of Labor and Industrial Relations - Division of Workers' Compensation** assume this proposal will exempt all Missouri truck drivers from state workers' compensation statutes. At this time the Division does not have the information necessary to determine a precise fiscal impact. However, the Division expects that the cost to the workers' compensation administrative fund and the Second Injury Fund would be significant due to a considerable reduction in the number of employers required to pay net premium taxes and Second Injury Fund surcharges.

Officials from the **Department of Insurance (INS)** assume that currently, independent owner-operators are excluded under the workers' compensation law; however, drivers of trucking operations are still considered employees. This proposal allows for an owner-operator trucking company to lease all trucks and drivers it uses and therefore all drivers are now excluded as employees. It is anticipated that this proposal would reduce the number of employees on which premium is charged for workers compensation. Less premiums will be paid and as a result less premium taxes on workers compensation would be collected. However, this amount is unknown.

Taking into consideration two classifications of truckers, based on 1997 payroll information and a high risk rate, the INS provided **Oversight** with the impact to the Workers' Compensation Fund as \$1,917,263. The numbers used in the computation of this figure are based on calendar year information, so Oversight assumes the same would hold true on a fiscal year basis. Based on the numbers provided by the INS, Oversight assumes the loss to the Workers' Compensation Fund could exceed \$1,000,000 per fiscal year. However, if the Workers' Compensation Fund would receive 0% of the net premiums, the impact to the fund would be \$0.

Based on the above referenced numbers provided by the INS, **Oversight** assumes that the Second Injury Fund could also result in a loss that could exceed \$1,000,000 per fiscal year. Oversight also notes, through speaking with DOL officials, that this fund could also incur unknown savings as fewer people would be eligible to make a claim under this fund.

FISCAL IMPACT - State Government

FY 2002  
(10 Mo.)

FY 2003

FY 2004

**WORKERS' COMPENSATION  
FUND**

AK:LR:OD (12/00)

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<u>Loss - Reduction of net premium taxes</u>	<u><b>\$0 to (Could Exceed \$1,000,000)</b></u>	<u><b>\$0 to (Could Exceed \$1,000,000)</b></u>	<u><b>\$0 to (Could Exceed \$1,000,000)</b></u>

**SECOND INJURY FUND**

<u>Loss - Reduction of surcharges</u>	<u><b>(Could Exceed \$1,000,000)</b></u>	<u><b>(Could Exceed \$1,000,000)</b></u>	<u><b>(Could Exceed \$1,000,000)</b></u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>

FISCAL IMPACT - Small Business

Small businesses could be affected by the provisions of this proposal.

DESCRIPTION

This bill clarifies that defined owner-operators of motor vehicles leased or contracted to motor carriers are not employees under the workers' compensation laws.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development - Division of Motor Carrier and Railroad Safety

L.R. No. 1857-01  
Bill No. SB 505  
Page 4 of 4  
February 26, 2001

Department of Insurance  
Department of Labor and Industrial Relations - Division of Workers' Compensation

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is written in a cursive style with some loops and flourishes.

Jeanne Jarrett, CPA  
Director

February 26, 2001